

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in Millions, Except Per Share Amounts)

Note H — EMPLOYEE BENEFIT PLANS (Continued)

accepting the present value of their pension benefits as a lump-sum payment instead of an annuity. Electing employees were eligible to receive certain benefits, including a special payment equivalent to five percent of their base pay times full years of service (not to exceed 100% of base pay), net of certain offsets. The retirement options were accounted for in accordance with SFAS 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." Accordingly, BellSouth recognized expense of \$68.6 in 1991 and \$14.6 in 1990 related to these offers.

Defined Contribution Plans. BellSouth maintains contributory savings plans which cover substantially all employees. Effective in 1990, a leveraged ESOP feature was incorporated into both the BellSouth Management Savings and Employee Stock Ownership Plan and the BellSouth Savings and Security Plan (collectively, the "Plans"). The shares that were purchased by the Trusts with proceeds from the ESOP notes (see Note F) are allocated to participants' accounts throughout the thirteen-year debt repayment period of the leveraged ESOP program as described below.

BellSouth matches participants' eligible contributions to the respective Plans based on defined

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accrued and funded into a separate tax advantaged trust. These contributions are funded over the working lives of active employees and the remaining lives of the retirees. Postretirement life insurance benefit costs are accrued and funded over the working lives of active employees based on that group's historical claims experience.

In December 1990, the Financial Accounting Standards Board (the "Board") issued SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which BellSouth adopted January 1, 1993. The statement requires employers to accrue the cost of providing postretirement benefits other than pensions during the period employees are expected to earn the benefit.

BellSouth's estimated transition benefit obligation of \$1.5 billion will be amortized over the average remaining service period of active plan participants, which is 15 years. Based on this transition method, the 1993 expense is projected to be about \$271.0, which is approximately 15% higher than the projected 1993 postretirement expense determined under the former accounting method. The effect on net income, therefore, is not expected to be material. However, since the majority of BellSouth's operations are regulated, the ultimate effect on the financial statements will depend on the ratemaking treatment authorized.

Note I — LEASES

BellSouth has entered into operating leases for facilities and equipment used in operations. Rental expenses under operating leases were \$328.9, \$288.8 and \$282.0 for 1992, 1991 and 1990, respectively. Capital leases currently in effect are not significant.

The following table summarizes the approximate future minimum rentals under non-cancelable operating leases in effect at December 31, 1992:

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Thereafter</u>	<u>Total</u>
Minimum rentals	<u>\$156.5</u>	<u>\$130.1</u>	<u>\$107.3</u>	<u>\$85.3</u>	<u>\$71.1</u>	<u>\$440.1</u>	<u>\$990.4</u>

Note J — INCOME TAXES

The provision for income taxes is summarized as follows:

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Federal:			
Current	\$ 918.3	\$ 953.6	\$ 928.1
Deferred, net	(85.9)	(242.0)	(169.2)
Investment tax credits, net	(87.9)	(108.8)	(128.4)
	<u>744.5</u>	<u>602.8</u>	<u>630.5</u>
State:			
Current	163.6	171.9	144.7
Deferred, net	25.4	(21.3)	2.5
	<u>189.0</u>	<u>150.6</u>	<u>147.2</u>
Total provision for income taxes	<u>\$ 933.5</u>	<u>\$ 753.4</u>	<u>\$ 777.7</u>
Amortization of investment tax credits	<u>\$ 88.2</u>	<u>\$ 105.3</u>	<u>\$ 126.5</u>

EXHIBIT 5 OF APPENDIX A

refuses to cross an authorized picket line established in connection with a lawful strike by the employees of another employer at premises where such striking employees were working.

17.05 Union Representation.

At a meeting between the Company and an employee in which discipline (warning to be placed in the personnel file, suspension, demotion or discharge) is to be announced, the Union representative from the employee's work group, if available, may be present if the employee so requests. The Union representative shall suffer no loss of pay for time consumed in such meeting.

**ARTICLE 18
RECORDS**

18.01 Personnel Records.

4. All personnel records kept by the Company on an employee which may affect the conditions of such employee's employment shall be subject to his/her inspection. After such inspection he/she shall have the right to initial and date the record as acknowledgement of having inspected the record on that date.

Upon the development of a grievance condition where necessary to develop pertinent facts having to do with the presentation or resolving of such a grievance, the personnel record of any employee shall be subject to inspection by the Union upon such employee's written consent. Records not available to an employee at his/her headquarters exchange shall be made available at the employee's headquarters exchange upon reasonable notice to his/her supervisor that he/she would like to inspect his/her records. *Employees' personnel records shall be made available within ten (10) working days of the request.*

When entries other than those of a routine nature are made to an employee's personnel record which may affect conditions of his/her employment, the employee shall be so advised. When such an entry is to be made, the employee will be given the opportunity to affix his/her signature and date acknowledging that the employee has inspected the entry. The acknowledged entry shall be placed in the employee's personnel record within 7 days from the discussion and does not indicate the employee concurs with the entry.

- B. *After a counseling entry has been on file for a period of one (1) year without any intervening disciplinary action pertaining to the same subject matter, it will be removed from the employee's personnel record. All remaining entries will be removed after a period of five (5) years subject to the preceding criteria.*

18.02 General Records.

Records kept by the Company which are pertinent to collective bargaining between the parties as described in 20.02 shall be made available to certified Union Representatives upon request.

**ARTICLE 19
PENSIONS AND BENEFITS**

19.01 Benefit Agreements, Plans and Programs.

In addition to this Agreement the parties have concurrently executed 17 separate agreements either adopting or amending the following Agreements, Plans or Programs:

Anticipated Disability Program
BellSouth Pension Plan
BellSouth Employees' Dental Assistance Plan
Care of Newborn Child Leave Program
Dependent Care Leave Program
Employee Mortgage Plan
Family Care Reimbursement Plan

Group Life and Accidental Death or Dismemberment Insurance Program
 Health:VEBA Trust
 Long Term Disability Plan
 BellSouth Employees' Medical Assistance Plan
 Sickness and Accident Disability Benefit Plan
 BellSouth Savings and Security Plan for Non-Salaried Employees
 FlexLife (Group Universal Life Insurance Program)
 BellSouth Employees' Vision Assistance Plan
 Sabbatical Leave Program
 Transitional Leave Program

The above named Agreements, Plans and Programs are incorporated by reference into this Agreement and become a part of it as though their provisions had been specifically and fully included within this Agreement.

19.02 Benefit Plan Eligibility for Part-Time Employees.

- A. Employees who are hired on or after January 1, 1990, and who work as part-time employees shall, if otherwise eligible under the terms of all benefit plans, be eligible for coverage under the BellSouth Employees' Medical Assistance Plan, BellSouth Employees' Dental Assistance Plan, and BellSouth Employees' Vision Assistance Plan. For the minimum weekly hours for full-time benefits, service credit and cost of coverage shall be prorated based on the number of hours worked as a percent of 37.5 hours.
- B. Death Benefits shall be based on basic pay.
- C. Regular part-time employees who are on the active payroll of the Company as of December 31, 1989, shall be eligible for medical, dental and vision coverage on the same basis as a regular full-time employee regardless of classification.

19.03 Change Limitation.

During the life of this Agreement, no change which will affect the employees within the bargaining unit may be made in the

terms of the existing "Sickness and Accident Disability Benefit Plan" and the "BellSouth Pension Plan" except as follows:

- A. No change which would reduce or diminish the benefits or privileges provided by the Plans may be made without the agreement of the Union.
- B. No change which would increase or enlarge the benefits or privileges provided by the Plans may be made without notice to the Union and an offer to bargain during the 60 days following such notice. Any claim that 19.03B has been violated shall be subject to arbitration under the provisions of Article 23.

19.04 Grievance Procedure Regarding Benefit Plans.

Nothing herein shall be construed to subject the Plans or their administration to the arbitration procedures of Article 23, but such matters may be subjected to the grievance procedures of Article 21. Likewise, nothing herein shall be construed to require the Company to bargain during the life of this Agreement, upon the request of the Union, on any change in the Plans.

19.05 Employee-Benefits Administration Relationships.

In the administration of the Sickness and Accident Disability Benefit Plan (SADBP), as well as all other Benefit Agreements, Plans and Programs, the parties recognize the absolute necessity for mutual respect and courtesy. All employees and/or their families having occasion to contact the Benefits Administration office in this regard are due the utmost respect, courtesy and prompt response to their needs. Likewise, Benefits Administration personnel in discharging their administrative responsibilities may reasonably expect similar respect, courtesy, and reasonableness from those with whom they deal. Moreover, it is mutually agreed that employees absent on sickness or accident disability and Benefits Administration personnel have a mutual obligation to be available for communication. In fulfilling its responsibilities as described above, the Benefits Administration organization recognizes its responsibility for assuring that employees receive

all benefits to which they are entitled, consistent with Plan provisions.

ARTICLE 20
UNION-MANAGEMENT CONFERENCES
20.01 Joint Conferences.

the management representative is the aggrieved employee's immediate supervisor.)

4. The Assistant Vice Presidents - Human Resources, the General Managers - Human Resources, and the Operations Managers having primary Labor Relations responsibilities are to be considered as being certified to the Union to represent the Company at the 3rd Level of the grievance procedure.
5. Any exceptions to "2", "3" and "4" above are to be covered by specific certification from the Assistant Vice

APPENDIX B

BELLSOUTH DIRECT CASE

July 27, 1993

In the Designation Order, the Commission required LECs to provide

evidence of and describe the ranges of data on the age of the workforce, the ages at which employees will retire, and the length of service of retirees, presented by their actuaries and used by the companies to compute OPEB amounts claimed in the annual access transmittals.

Attached hereto are the following:

- Exhibit 1 - the range by age of active employees for BellSouth.
- Exhibit 2 - the ages at which BellSouth employees will retire and the probability of retirement associated with that age.
- Exhibit 3 - the length of service of BellSouth retirees.

EXHIBIT 1 OF APPENDIX B

BellSouth Corporation
Summary of BST Active Employees by Age
Data Used in 1/1/93 FAS 106 Valuation

<u>Age</u>	<u>Management</u> <u>No. of Ees</u>	<u>Age</u>	<u>Non-Management</u> <u>No. of Ees</u>	<u>Age</u>	<u>Total</u> <u>No. of Ees</u>
		18	1	18	1
		19	3	19	3
		20	15	20	15
21	1	21	55	21	56
22	1	22	111	22	112
23	5	23	177	23	182
24	27	24	182	24	209
25	67	25	247	25	314
26	96	26	266	26	362
27	157	27	258	27	415
28	231	28	301	28	532
29	275	29	298	29	573
30	226	30	343	30	569
31	240	31	513	31	753
32	259	32	806	32	1,065
33	296	33	1,049	33	1,345
34	367	34	1,150	34	1,517
35	377	35	1,280	35	1,657
36	472	36	1,440	36	1,912
37	560	37	1,700	37	2,260
38	686	38	2,046	38	2,732
39	845	39	2,514	39	3,359
40	952	40	2,842	40	3,794
41	1,094	41	3,270	41	4,364
42	1,277	42	3,665	42	4,942
43	1,341	43	3,429	43	4,770
44	1,376	44	3,512	44	4,888
45	1,445	45	3,393	45	4,838
46	1,497	46	3,531	46	5,028
47	951	47	2,317	47	3,268
48	831	48	2,102	48	2,933
49	782	49	1,925	49	2,707
50	754	50	1,784	50	2,538
51	530	51	1,425	51	1,955
52	382	52	1,234	52	1,616
53	298	53	975	53	1,273
54	279	54	937	54	1,216
55	234	55	863	55	1,097
56	191	56	674	56	865
57	147	57	685	57	832
58	118	58	612	58	730
59	87	59	543	59	630
60	79	60	511	60	590
61	72	61	480	61	552
62	42	62	342	62	384
63	27	63	202	63	229
64	8	64	148	64	156
65	7	65	113	65	120
66	3	66	45	66	48
67	1	67	15	67	16
68	3	68	6	68	9
69	3	69	7	69	10
		70	4	70	4
		71	6	71	6
		72	2	72	2
74	1	74	1	74	2
Total	20,000		56,355		76,355

EXHIBIT 2 OF APPENDIX B

TABLE 6**ANNUAL RATES OF RETIREMENT ON SERVICE PENSION
ASSUMED IN DETERMINING THE ACCRUAL RATE
FOR SERVICE PENSIONS AND DEATH BENEFITS****1986 Management
Modified in 1991**

Age X	<u>Male</u>	<u>Female</u>
43	.000	.000
44	.002	.006
45	.002	.006
46	.002	.006
47	.002	.006
48	.002	.006
49	.002	.006
50	.014	.046
51	.012	.025
52	.014	.030
53	.017	.035
54	.020	.040
55	.024	.045
56	.040	.060
57	.080	.120
58	.100	.130
59	.130	.150
60	.150	.180
61	.180	.220
62	.300	.300
63	.150	.150
64	.200	.250
65	.600	.600
66	.300	.300
67	.300	.300
68	.300	.300
69	.300	.300
70	1.000	1.000

Source: BellSouth Operating Companies Management experience 1975-1985,
as modified in 1991 to reflect plan amendments adopted after
1985 that provide incentive for postponing election of service
retirements.

TABLE 6**ANNUAL RATES OF RETIREMENT ON SERVICE PENSION
ASSUMED IN DETERMINING THE ACCRUAL RATE
FOR SERVICE PENSIONS AND DEATH BENEFITS****1986 Non-Management
Modified in 1991**

Age		Male	Female
X			
43		.000	.000
44		.003	.005
45		.003	.005
46		.003	.005
47		.003	.005
48		.003	.005
49		.003	.005
50		.030	.067
51		.020	.050
52		.025	.055
53		.030	.060
54		.035	.065
55		.040	.070
56		.050	.080
57		.070	.105
58		.080	.115
59		.100	.125
60		.120	.135

EXHIBIT 3 OF APPENDIX B

BellSouth Corporation
Summary of BST Retired Employees by Service at Retirement
Data Used in 1/1/93 FAS 106 Valuation

<u>Management</u>		<u>Non-Management</u>		<u>Total</u>	
<u>Service</u>	<u>No. of Retirees</u>	<u>Service</u>	<u>No. of Retirees</u>	<u>Service</u>	<u>No. of Retirees</u>
6	1	6	1	6	2
		7	1	7	1
		9	1	9	1
10	2	10	8	10	10
11	6	11	21	11	27
12	9	12	24	12	33
13	13	13	34	13	47
14	13	14	22	14	35
15	21	15	71	15	92
16	19	16	146	16	165
17	28	17	135	17	163
18	57	18	150	18	207
19	63	19	141	19	204
20	144	20	611	20	755
21	189	21	436	21	625
22	210	22	401	22	611
23	200	23	343	23	543
24	180	24	312	24	492
25	382	25	596	25	978
26	445	26	619	26	1,064
27	496	27	593	27	1,089
28	570	28	668	28	1,238
29	509	29	626	29	1,135
30	957	30	2,105	30	3,062
31	1,136	31	1,831	31	2,967
32	1,186	32	1,561	32	2,747
33	984	33	1,414	33	2,398
34	1,069	34	1,384	34	2,453
35	1,179	35	1,521	35	2,700
36	1,286	36	1,422	36	2,708
37	1,011	37	1,095	37	2,106
38	899	38	846	38	1,745
39	758	39	641	39	1,399
40	708	40	555	40	1,263
41	656	41	453	41	1,109
42	487	42	318	42	805
43	380	43	227	43	607
44	226	44	149	44	375
45	149	45	97	45	246
46	117	46	67	46	184
47	65	47	46	47	111
48	52	48	33	48	85
49	13	49	9	49	22
50	11	50	2	50	13
51	3	51	1	51	4
52	1			52	1
Total	16,890		21,737		38,627